

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02 INR-07

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FM AMEMBASSY ATHENS

TO SECSTATE WASHDC PRIORITY 6014

INFO AMCONSUL THESSALONIKI PRIORITY

C O N F I D E N T I A L ATHENS 8028

E.O. 11652: GDS

TAGS: EIND, EINV, BDIS, GR

SUBJ: ETHYL HELLAS: PROBLEMS HOPEFULLY RESOLVED

REF: A) ATHENS 7487, B) ATHENS 6673

SUMMARY: GOG REPLIED TO ETHYL ON AUGUST 5 ESSENTIALLY ALONG
LINES REPORTED IN REF (A), I.E., REJECTING CONTINUED USE OF
PIER FIVE FOR STORAGE OF DANGEROUS MATERIALS DURING THE
CONSTRUCTION TIME OF NEW STORAGE TANKS AT THE PLANT SITE.
COORDINATION MINISTER PAPALIGOURAS, IN AUGUST 6
MEETING WITH ECONOMIC COUNSELOR, EMPHASIZED HIS POLITICAL
JUDGMENT OF THE RISKS OF ANTI-AMERICAN PUBLICITY AND DE-
MONSTRATIONS, IF IT APPEARED THAT THE GOVERNMENT WAS ACQUIESCING TO
STORAGE OF DANGEROUS MATERIALS NEAR HEAVILY POPULATED AREAS
AT A TIME OF JITTERY NERVES OVER THE SITUATION WITH TURKEY.
LATER ON AUGUST 6, ETHYL THESSALONIKI MANAGING DIRECTOR
INFORMED EMBASSY THAT HE HAD JUST RECEIVED
INSTRUCTIONS FROM BATON ROUGE TO ACCEPT THE GOVERNMENT'S
CONDITIONS AND RESUME PLANT OPERATIONS EARLY NEXT WEEK.

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COMMENT: BY THE LATEST DEVELOPMENT, A POTENTIALLY

EXPLOSIVE--IN MORE WAYS THAN ONE--SITUATION, WITH
IMPORTANT POLITICAL AND ECONOMIC IMPLICATIONS,
APPEARS TO HAVE BEEN RESOLVED. END SUMMARY.

1. GOG REPLY TO A.B. HORN'S JULY 6 TELEX (PARA 1, REF A)
IN ITS FORMAL REPLY ON AUGUST 5, THE GOG STATED THAT IT
COULD NOT RPT NOT AGREE TO ETHYL'S CONTINUING USE OF
PIER FIVE STORAGE FACILITIES DURING CONSTRUCTION
OF NEW TANKS AT THE PLANT SITE, BECAUSE

(A) FOR SECURITY REASONS AND PARTICULARLY IN LIGHT
OF CURRENT TENSIONS WITH TURKEY, THE MINISTRY OF DEFENSE
CANNOT AGREE (AS WAS REQUIRED BY ETHYL'S ORIGINAL LICENSE
TO USE THE PIER - SEE PARA 3(B), REF A) TO THE STORAGE
OF SUCH DANGEROUS MATERIALS NEAR HEAVILY POPULATED AREAS;

AND (B) THE PSYCHOLOGICAL CLIMATE IS SUCH THAT
THE GOG FEARS PUBLIC DISAPPROVAL AND REVIVAL OF THE CRISIS
AMONG PORT WORKERS AND OTHERS, IF STORAGE CONTINUES WHILE
THE GOG AND ETHYL APPEAR TO BE RETRACTING THE ORIGINAL
AGREEMENT TO RELOCATE TO LEFKOUDI IN FAVOR OF BUILDING
NEW FACILITIES AT THE PLANT SITE.

2. WHILE THE GOG CONTINUES TO REGARD LEFKOUDI AS THE
RATIONAL LONG-TERM SOLUTION, IT WOULD,
AGREE TO THEYL'S PROPOSAL TO RELOCATE THE STORAGE TANKS
TO THE PLANT SITE, WITH FUTURE USE OF PIER FIVE ONLY FOR
LOADING AND WITH CERTAIN SAFEGUARDS. THE GOG MAINTAINS
THAT THE DISCONTINUATION OF PIER FIVE FOR STORAGE
DURING THE CONSTRUCTION PERIOD SHOULD WORK NO REAL HARD-
SHIP ON ETHYL BECAUSE OF POSSIBILITIES FOR OVERLAND SHIPMENT
OF MUCH OF THE PLANT'S CAPACITY, AND BECAUSE
THE NEW TANKS COULD BE CONSTRUCTED IN "MUCH LESS" THAN
ETHYL'S ESTIMATE OF 15 MONTHS. THE GOG OFFERS A NEW AGREE-
MENT WITH ETHYL IF IT ACCEPTS THESE CONDITIONS FOR
RELOCATING STORAGE TANKS TO THE PLANT SITE.

3. PAPALIGOURAS AUGUST 6 DISCUSSION WITH ECONOMIC
COUNSELOR. COORDINATION MINISTER PAPALIGOURAS REQUESTED
ECONOMIC COUNSELOR TO CALL ON HIM IN ORDER FURTHER TO EXPLAIN
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THE RATIONALE OF THE GOG POSITION, MERCHANT MINISTER
PAPADONGHONAS ALSO PARTICIPATED IN THE DISCUSSION. PAPA-
LIGOURAS PARTICULARLY EMPHASIZED THE RISKS TO US-GREEK
RELATIONS OF ANTI-AMERICAN PUBLICITY AND DEMONSTRATIONS
IF THE GOVERNMENT, AT A TIME OF HEIGHTENED TENSIONS
AND WAR FEARS WITH TURKEY, APPEARED TO ACQUIESCE TO A
LARGE U.S. CORPORATION'S CONTINUED STORAGE OF HIGHLY
DANGEROUS MATERIALS NEAR A HEAVILY POPULATED AREA--A

SITUATION WHICH HAD ALREADY BEEN THE SUBJECT OF VIOLENT DEMONSTRATIONS IN THE PAST. "I CANNOT TAKE EITHER THE SECURITY OR THE POLITICAL RISKS," PAPALIGOURAS DECLARED, "IT'S JUST NOT WORTH IT."

4. PAPALIGOURAS INDICATED THAT AFTER ETHYL WOULD START CONSTRUCTION OF STORAGE FACILITIES AT THE PLANT-SITE, AND ASSUMING THAT THE SECURITY SITUATION IMPROVED, THE GOG MIGHT, IN ORDER TO PERMIT ETHYL TO BOOST ITS OUTPUT DURING THE INTERIM PERIOD, CONSIDER USE OF PIER FIVE FOR SHIPPING ANTI-KNOCK, PERHAPS UTILIZING A SHIP (INSTEAD OF THE PIER) FOR STORING THE MATERIAL, WITH THE SHIP LEAVING THE HARBOR DURING DAYLIGHT HOURS.

5. PAPALIGOURAS WAS NEGATIVE TO SUGGESTION BY THE ECONOMIC COUNSELOR THAT THE GOG MIGHT CONSIDER PICKING UP AT LEAST PART OF THE COST OF A NEW PIER AT LEFKOUDI.

6. ETHYL ACCEPTS. IN A SUBSEQUENT CONVERSATION WITH ECONOMIC COUNSELOR, ETHYL THESSALONIKI MANAGING DIRECTOR AMOLOCHITIS STATED THAT HE HAD JUST RECEIVED INSTRUCTIONS FROM BATON ROUGE THAT ETHYL ACCEPTS THE GOVERNMENT'S CONDITIONS AND WOULD RESUME PLANT OPERATIONS EARLY NEXT WEEK. PRODUCTS FOR ESSO CHEMICALS AND OTHER AREA FACTORIES WOULD BE PRODUCED, THUS ELIMINATING IMPACT OF THESE INDUSTRIES. ANTI-KNOCK WOULD BE PRODUCED AT 50 PERCENT CAPACITY DUE TO LACK OF ADEQUATE STORAGE FACILITIES DURING THE INTERIM PERIOD OF CONSTRUCTION. KUBISCH

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